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HOUSE BILL NO. 1913

Offered January 11, 2017

Prefiled January 10, 2017

A BILL to amend and reenact §§ 58.1-623, 58.1-1000, and 58.1-1017.3 of the Code of Virginia and to amend the Code of Virginia by adding a section numbered 58.1-623.2 and by adding in Article 1 of Chapter 10 of Title 58.1 a section numbered 58.1-1017.4, relating to the purchase of cigarettes for resale; penalties.

Patrons—Anderson, Ransone, Edmunds and Keam

Referred to Committee on Finance

Be it enacted by the General Assembly of Virginia:

1. That §§ 58.1-623, 58.1-1000, and 58.1-1017.3 of the Code of Virginia are amended and reenacted and that the Code of Virginia is amended by adding a section numbered 58.1-623.2 and by adding in Article 1 of Chapter 10 of Title 58.1 a section numbered 58.1-1017.4 as follows:

§ 58.1-623. Sales or leases presumed subject to tax; exemption certificates.

A. All sales or leases are subject to the tax until the contrary is established. The burden of proving that a sale, distribution, lease, or storage of tangible personal property is not taxable is upon the dealer unless he takes from the taxpayer a certificate to the effect that the property is exempt under this chapter. *However, the sale or distribution of cigarettes shall be subject to the provisions of § 58.1-623.2 and require a cigarette exemption certificate issued pursuant to § 58.1-623.2.*

B. The certificate mentioned in this section shall relieve the person who takes such certificate from any liability for the payment or collection of the tax, except upon notice from the Tax Commissioner that such certificate is no longer acceptable. Such certificate shall be signed by and bear the name and address of the taxpayer; shall indicate the number of the certificate of registration, if any, issued to the taxpayer; shall indicate the general character of the tangible personal property sold, distributed, leased, or stored, or to be sold, distributed, leased, or stored under a blanket exemption certificate; and shall be substantially in such form as the Tax Commissioner may prescribe. If an exemption pertains to a nonprofit organization, other than a nonprofit church, that has qualified for a sales and use tax exemption under § 58.1-609.11, the exemption certificate shall be valid until the scheduled expiration date stated on the exemption certificate.

C. If a taxpayer who gives a certificate under this section makes any use of the property other than an exempt use or retention, demonstration, or display while holding the property for resale, distribution, or lease in the regular course of business, such use shall be deemed a taxable sale by the taxpayer as of the time the property or service is first used by him, and the cost of the property to him shall be deemed the sales price of such retail sale. If the sole use of the property other than retention, demonstration, or display in the regular course of business is the rental of the property while holding it for sale, distribution, or lease, the taxpayer may elect to pay the tax on the amount of the rental charged, rather than the cost of the property to him.

D. If a taxpayer gives a certificate under this section with respect to the purchase of fungible goods and thereafter commingles these goods with other fungible goods not so purchased, but of such similarity that the identity of the constituent goods in the commingled mass cannot be determined, sales or distributions from the mass of commingled goods shall be deemed to be sales or distributions of the goods so purchased until a quantity of commingled goods equal to the quantity of purchased goods so commingled has been sold or distributed.

E. If a taxpayer fails to give the dealer at the time of purchase an exemption certificate previously issued by the Department, no interest shall be paid on a subsequent refund claim for any period prior to the date the taxpayer makes a complete refund claim with the Department. This subsection shall not apply to transactions exempted under self-executing certificates of exemption not issued to a specific taxpayer by the Department.

§ 58.1-623.2. Cigarette exemption certificate.

A. 1. *Notwithstanding any other provision of law, all sales of cigarettes, as defined in § 58.1-1031, bearing Virginia revenue stamps in the Commonwealth shall be subject to tax pursuant to the tax until the contrary is established. The burden of proving that a sale is not taxable is upon the dealer unless he takes from the taxpayer a cigarette exemption certificate issued by the Department to the taxpayer to the effect that the cigarettes are exempt under this chapter for the purposes of resale in the Commonwealth.*

2. *The cigarette exemption certificate mentioned in this section shall relieve the person who takes such certificate from any liability for the payment or collection of the tax on the sale of cigarettes,*

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59 except upon notice from the Tax Commissioner or the taxpayer that such certificate is no longer
60 acceptable.

61 3. If a taxpayer who gives a cigarette exemption certificate under this section makes any use of the
62 property other than an exempt use or retention, demonstration, or display while holding the property for
63 resale or distribution in the regular course of business, such use shall be deemed a taxable sale by the
64 taxpayer as of the time the property or service is first used by him, and the cost of the property to him
65 shall be deemed the sales price of such retail sale.

66 B. 1. Prior to issuing a cigarette exemption certificate under this section, the Department shall
67 conduct a background investigation on the taxpayer for the certificate. The Department shall not issue a
68 cigarette exemption certificate until at least 30 days have passed from the receipt of the application,
69 unless the taxpayer qualifies for the expedited process set forth in subdivision 3, or any other expedited
70 process set forth in guidelines issued pursuant to subsection L.

71 2. A taxpayer shall be required to pay an application fee, not to exceed \$50, to the Department for a
72 cigarette exemption certificate.

73 3. A taxpayer shall be eligible for an expedited process to receive a cigarette exemption certificate if
74 the taxpayer possesses, at the time of filing an application for a cigarette exemption certificate, (i) an
75 active license, in good standing, issued by the Department of Alcoholic Beverage Control pursuant to
76 Title 4.1, as verified by electronic or other means by the Department, or (ii) an active tobacco products
77 tax distributor's license, in good standing, issued by the Department pursuant to § 58.1-1021.04:1. The
78 Department may identify other categories of taxpayers who qualify for an expedited process through
79 guidelines issued pursuant to subsection L. Taxpayers that qualify for an expedited process shall not be
80 subject to the background check or the waiting period set forth in subdivision 1, nor shall such
81 taxpayers be required to pay the application fee set forth in subdivision 2.

82 4. If a taxpayer has been denied a cigarette exemption certificate, or has been issued a cigarette
83 exemption certificate that has subsequently been suspended or revoked, the Department shall not
84 consider an application from the taxpayer for a new cigarette exemption certificate for six months from
85 the date of the denial, suspension, or revocation.

86 C. The Department shall deny an application for a cigarette exemption certificate, or suspend or
87 revoke a cigarette exemption certificate previously issued to a taxpayer, if the Department determines
88 that:

89 1. The taxpayer is a person who is not 18 years of age or older;

90 2. The taxpayer is a person who is physically unable to carry on the business for which the
91 application for a cigarette exemption certificate is filed, or has been adjudicated incapacitated;

92 3. The taxpayer has not resided in the Commonwealth for at least one year immediately preceding
93 the application, unless in the opinion of the Department, good cause exists for the taxpayer to have not
94 resided in the Commonwealth for the immediately preceding year;

95 4. The taxpayer has not established a physical place of business in the Commonwealth, as described
96 in subsection E, from which a substantial portion of the sales activity of the taxpayer's business is
97 routinely conducted;

98 5. A court or administrative body having jurisdiction has found that the physical place of business
99 occupied by the taxpayer, as described in subsection E, does not conform to the sanitation, health,
100 construction, or equipment requirements of the governing body of the county, city, or town in which
101 such physical place is located, or to similar requirements established pursuant to the laws of the
102 Commonwealth;

103 6. The physical place of business occupied by the taxpayer, as described in subsection E, is not
104 constructed, arranged, or illuminated so as to allow access to and reasonable observation of, any room
105 or area in which cigarettes are to be sold;

106 7. The taxpayer is not an authorized representative of the business;

107 8. The taxpayer made a material misstatement or material omission in the application;

108 9. The taxpayer has defrauded, or attempted to defraud, the Department, or any federal, state, or
109 local government or governmental agency or authority, by making or filing any report, document, or tax
110 return required by statute or regulation that is fraudulent or contains a false representation of material
111 fact, or the taxpayer has willfully deceived or attempted to deceive the Department, or any federal,
112 state, or local government or governmental agency or authority, by making or maintaining business
113 records required by statute or regulation that are false or fraudulent;

114 10. The Tax Commissioner has determined that the taxpayer has misused the certificate;

115 11. The taxpayer has knowingly and willfully allowed any individual, other than an authorized
116 representative, to use the certificate;

117 12. The taxpayer has failed to comply with or has been convicted under any of the provisions of this
118 chapter or Chapter 10 (§ 58.1-1000 et seq.) or any of the rules of the Department adopted or
119 promulgated under the authority of this chapter or Chapter 10; however, no certificate shall be denied,
120 suspended, or revoked on the basis of a failure to file a retail sales and use tax return or remit retail

sales and use tax unless the taxpayer is more than 30 days delinquent in any filing or payment and has not entered into an installment agreement pursuant to § 58.1-1817; or

13. The taxpayer has been convicted under the laws of any state or of the United States of (i) any robbery, extortion, burglary, larceny, embezzlement, gambling, perjury, bribery, treason, racketeering, money laundering, other crime involving fraud under Chapter 6 (§ 18.2-168 et seq.) of Title 18.2, or crime that has the same elements of the offenses set forth in § 58.1-1017 or 58.1-1017.1, or (ii) a felony.

D. The provisions of § 58.1-623.1 shall apply to the suspension and revocation of exemption certificates issued pursuant to this section, mutatis mutandis.

E. A cigarette exemption certificate shall only be issued to a taxpayer who:

1. Has a physical place of business in the Commonwealth, owned or leased by him, where a substantial portion of the sales activity of the retail cigarette sales activity of the business is routinely conducted and that (i) satisfies all local zoning regulations; (ii) has sales and office space of at least 250 square feet in a permanent, enclosed building not used as a house, apartment, storage unit, garage, or other building other than a building zoned for retail business; (iii) houses all records required to be maintained pursuant to § 58.1-1007; (iv) is equipped with office equipment, including but not limited to, a desk, a chair, a Point of Sale System, filing space, a working telephone listed in the name of the taxpayer or his business, working utilities, including electricity and provisions for space heating, and an Internet connection and email address; (v) displays a sign and business hours and is open to the public during the listed business hours; and (vi) does not occupy the same physical place of business of any other taxpayer who has been issued a cigarette exemption certificate;

2. Possesses a copy of the (i) corporate charter and articles of incorporation in the case of a corporation, (ii) partnership agreement in the case of a partnership, or (iii) organizational registration from the Virginia State Corporation Commission in the case of an LLC; and

3. Possesses a local business license, if such local business license is required by the locality where the taxpayer's physical place of business is located.

F. A taxpayer with more than one physical place of business shall only be required to complete one application for a cigarette exemption certificate, but shall list on the application every physical place of business in the Commonwealth at which cigarettes may be sold. Upon approval of the application, the Department shall issue a separate cigarette exemption certificate for each physical place of business listed on the application. No cigarette exemption certificate shall be transferrable between taxpayers or physical places of business of a taxpayer. For purposes of this subsection, a taxpayer shall be considered to have more than one physical place of business if two or more physical locations the taxpayer's business at which cigarettes may be sold are operated under the same corporate charter, articles of incorporation, partnership, or limited liability company.

G. A cigarette exemption certificate issued to a taxpayer shall bear the address of the physical place of business occupied or to be occupied by the taxpayer in conducting the business of reselling cigarettes in the Commonwealth. In the event that a taxpayer intends to move the physical place of business listed on a certificate to a new location, he shall provide written notice at least 30 days in advance of the move to the Department. A successful inspection of the new physical place of business shall be required by the Department prior to the issuance of a new cigarette exemption certificate bearing the updated address. The certificate with the original address shall become invalid upon the issuance of the new certificate, or 30 days after notice of the move is provided to the Department, whichever occurs sooner. A taxpayer shall not be required to pay a fee to the Department for the issuance of a new cigarette exemption certificate pursuant to this subsection.

H. The privilege of a taxpayer issued a cigarette exemption certificate to purchase cigarettes shall extend to any authorized representative of such taxpayer. The taxpayer issued a cigarette exemption certificate may be held liable for any violation of this chapter, Chapter 10 (§ 58.1-1000 et seq.), Chapter 10.1 (§ 58.1-1031 et seq.), or any related Department guidelines by such authorized representative.

I. A taxpayer issued a cigarette exemption certificate shall comply with the recordkeeping requirements prescribed in § 58.1-1007 and shall make such records available for audit and inspection as provided therein. A taxpayer issued a cigarette exemption certificate who fails to comply with such requirements shall be subject to the penalties provided in § 58.1-1007.

J. A cigarette exemption certificate granted by the Department shall be valid for five years from the date of issuance. At the end of the five-year period, the cigarette exemption certificate of a taxpayer who qualifies for the expedited application process set forth in subdivision B 3 shall be automatically renewed and no fee shall be required. If a taxpayer does not qualify for the expedited application process, then such taxpayer shall apply to the Department to renew the new cigarette exemption certificate as set forth in subdivision B 1 and shall pay an application fee not to exceed \$50 as set forth in subdivision B 2; however, the 30-day waiting period set forth in subdivision B 1 shall not apply.

K. No taxpayer issued a cigarette exemption certificate shall display the certificate, or a copy

182 thereof, in the physical place of business where a substantial portion of the retail cigarette sales activity
 183 of the business is routinely conducted.

184 L. The Tax Commissioner shall develop guidelines implementing the provisions of this section,
 185 including but not limited to (i) defining categories of taxpayers who qualify for the expedited process,
 186 (ii) prescribing the form of the application for the cigarette exemption certificate, (iii) prescribing the
 187 form of the application for the expedited cigarette exemption certificate, (iv) establishing procedures for
 188 suspending and revoking the cigarette exemption certificate, and (v) establishing procedures for
 189 renewing the cigarette exemption certificate. Such guidelines shall be exempt from the provisions of the
 190 Administrative Process Act (§ 2.2-4000 et seq.).

191 M. For the purposes of this section:

192 "Authorized representative" means an individual who has an ownership interest in or is a current
 193 employee of the taxpayer who possesses a valid cigarette exemption certificate pursuant to this section.
 194

195 **§ 58.1-1000. Definitions.**

196 As used in this chapter, unless the context clearly shows otherwise, the term or phrase:

197 "Authorized holder" means (i) a manufacturer; (ii) a wholesale dealer who is not duly qualified as a
 198 wholesale dealer stamping agent, but who possesses a valid cigarette exemption certificate issued
 199 pursuant to § 58.1-623.2; (iii) a stamping agent; (iv) a retail dealer who possesses a valid cigarette
 200 exemption certificate issued pursuant to § 58.1-623.2; (v) an exclusive distributor; (vi) an officer,
 201 employee, or other agent of the United States or a state, or any department, agency, or instrumentality of
 202 the United States, a state, or a political subdivision of a state, having possession of cigarettes in
 203 connection with the performance of official duties; (vii) a person properly holding cigarettes that do not
 204 require stamps or tax payment pursuant to § 58.1-1010; or (viii) a common or contract carrier
 205 transporting cigarettes under a proper bill of lading or other documentation indicating the true name and
 206 address of the consignor or seller and the consignee or purchaser of the brands and the quantities being
 207 transported. Any person convicted of (a) a violation of ~~§ 58.1-1017 or 58.1-1017.1~~ any criminal offense
 208 under this chapter; (b) any offense involving the forgery of any documents, forms, invoices, or receipts
 209 related to the purchase or sale of cigarettes or the purchase or sale of tobacco products as defined in
 210 § 58.1-1021.01; (c) any offense involving evasion or failure to pay a cigarette or tobacco product excise
 211 tax; or (d) any similar violation of an ordinance of any county, city, or town in the Commonwealth or
 212 the laws of any other state or of the United States is ineligible to be an authorized holder.

213 "Carton" means 10 packs of cigarettes, each containing 20 cigarettes or eight packs, each containing
 214 25 cigarettes.

215 "Cigarette" means any product that contains nicotine, is intended to be burned or heated under
 216 ordinary conditions of use, and consists of or contains (i) any roll of tobacco wrapped in paper or in any
 217 substance not containing tobacco; (ii) tobacco, in any form, that is functional in the product, which,
 218 because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely
 219 to be offered to, or purchased by, consumers as a cigarette; or (iii) any roll of tobacco wrapped in any
 220 substance containing tobacco which, because of its appearance, the type of tobacco used in the filler, or
 221 its packaging and labeling, is likely to be offered to, or purchased by, consumers as a cigarette described
 222 in clause (i) of this definition. The term "cigarette" includes "roll-your-own" tobacco, which means any
 223 tobacco which, because of its appearance, type, packaging, or labeling, is suitable for use and likely to
 224 be offered to, or purchased by, consumers as tobacco for making cigarettes. For purposes of this
 225 definition of "cigarette," 0.09 ounces of "roll-your-own" tobacco shall constitute one individual
 226 "cigarette."

227 "Exclusive distributor" means any individual, corporation, limited liability company, or limited
 228 liability partnership with its principal place of business in the Commonwealth that has the sole and
 229 exclusive rights to sell to wholesale dealers in the Commonwealth a brand family of cigarettes
 230 manufactured by a tobacco product manufacturer as defined in § 3.2-4200.

231 "Manufacturer" means any tobacco product manufacturer as defined in § 3.2-4200.

232 "Pack" means a package containing either 20 or 25 cigarettes.

233 "Retail dealer" includes every person other than a wholesale dealer, as defined in this section, who
 234 sells or offers for sale any cigarettes and who is properly registered as a retail trade with the
 235 Commonwealth in accordance with the Virginia Department of Taxation Business Registration
 236 Application (Form R-1).

237 "Retail sale" or "sale at retail" includes all sales except sales by wholesale dealers to retail dealers or
 238 other wholesale dealers for resale.

239 "Stamping agent" ~~shall have~~ has the same meaning as provided in § 3.2-4204. For the purposes of
 240 provisions relating to "roll-your-own" tobacco, "stamping agent" ~~shall include~~ includes "distributor" as
 241 that term is defined in § 58.1-1021.01.

242 "Stamps" means the stamp or stamps by the use of which the tax levied under this chapter is paid
 243 and shall be officially designated as Virginia revenue stamps. The Department is hereby authorized to

provide for the use of any type of stamp ~~which~~ *that* will effectuate the purposes of this chapter, including but not limited to decalcomania and metering devices.

"Storage" means any keeping or retention in the Commonwealth of cigarettes for any purpose except sale in the regular course of business or subsequent use solely outside the Commonwealth.

"Tax-paid cigarettes" means cigarettes that (i) bear valid Virginia stamps to evidence payment of excise taxes or (ii) were purchased outside of the Commonwealth and either (a) bear a valid tax stamp for the state in which the cigarettes were purchased or (b) when no tax stamp is required by the state, proper evidence can be provided to establish that applicable excise taxes have been paid.

"Use" means the exercise of any right or power over cigarettes incident to the ownership thereof or by any transaction where possession is given, except that it ~~shall~~ *does* not include the sale of cigarettes in the regular course of business.

"Wholesale dealer" includes persons who are properly registered as tobacco product merchant wholesalers with the Commonwealth in accordance with the Virginia Department of Taxation Business Registration Application (Form R-1) and who (i) sell cigarettes at wholesale only to retail dealers for the purpose of resale only or (ii) sell at wholesale to institutional, commercial, or industrial users. "Wholesale dealer" also includes chain store distribution centers or houses ~~which~~ *that* distribute cigarettes to their stores for sale at retail.

§ 58.1-1017.3. Fraudulent purchase of cigarettes; penalties.

Any person who purchases 5,000 (25 cartons) cigarettes or fewer using a forged business license, a business license obtained under false pretenses, a forged or invalid Virginia sales and use tax exemption certificate, *a forged or invalid Virginia cigarette exemption certificate*, or a Virginia sales and use tax exemption certificate obtained under false pretenses is guilty of a Class 1 misdemeanor for a first offense and a Class 6 felony for a second or subsequent offense. Any person who purchases more than 5,000 (25 cartons) cigarettes using a forged business license, a business license obtained under false pretenses, a forged or invalid Virginia sales and use tax exemption certificate, *a forged or invalid Virginia cigarette exemption certificate*, or a Virginia sales and use tax exemption certificate obtained under false pretenses is guilty of a Class 6 felony for a first offense and a Class 5 felony for a second or subsequent offense. Additionally, any person who violates the provisions of this section shall be assessed a civil penalty of (i) \$2.50 per pack, but no less than \$5,000, for a first offense; (ii) \$5 per pack, but no less than \$10,000, for a second such offense committed within a 36-month period; and (iii) \$10 per pack, but no less than \$50,000, for a third or subsequent such offense committed within a 36-month period. The civil penalties shall be assessed and collected by the Department as other taxes are collected.

The provisions of this section shall not preclude prosecution under any other statute.

§ 58.1-1017.4. Documents to be provided at purchase.

A. Any person, except as provided in subsection B, who ships, sells, or distributes any quantity of cigarettes in excess of 10,000 sticks or 50 cartons, or with a value greater than \$10,000 in any single transaction or multiple related transactions, shall maintain such information about the shipment, receipt, sale, and distribution of such cigarettes on a form prescribed by the Office of the Attorney General. Such form may be in electronic format in a manner prescribed by the Office of the Attorney General. Such form shall be transmitted to the Office of the Attorney General upon request, as determined by the Office of the Attorney General.

B. The provisions of this section shall not apply to a stamping agent when delivering cigarettes to the purchaser's physical place of business.

C. Prior to completing the sale, the purchaser shall complete the form for the seller and present a valid photo identification issued by a state or federal government agency. The purchaser shall sign the form acknowledging an understanding of the applicable sales limit and that providing false statements or misrepresentations may subject the purchaser to criminal penalties.

D. Prior to completing the sale, the seller shall verify that the identity of the purchaser listed on the form matches the identity on the photo identification provided pursuant to subsection C and that the form is completed in its entirety.

E. The records required to be completed by this section shall be preserved for three years at the location where the purchase was made and shall be available for audit and inspection as described in § 58.1-1007. A violation of these requirements shall be punished under the provisions of § 58.1-1007.

F. The Department, the Department of Alcoholic Beverage Control, the Office of the Attorney General, a local cigarette tax administrative or enforcement official, or any other law-enforcement agency of the Commonwealth or any federal law-enforcement agency conducting a criminal investigation involving the trafficking of cigarettes may access these records required to be completed and preserved by this section at any time. Failure to supply the records upon request shall be punished under the provisions of § 58.1-1007. Copies of the records required to be completed and preserved by this section shall be provided to such officials or agencies upon request. Any court, investigatory grand jury, or

305 *special grand jury that has been impaneled in accordance with the provisions of Chapter 13 (§ 19.2-191*
306 *et seq.) of Title 19.2 may access such information if relevant to any proceedings therein.*

307 *G. The records required to be completed and preserved by this section shall be exempt from*
308 *disclosure under the Virginia Freedom of Information Act (§ 2.2-3700 et seq.).*

309 **2. That the Code of Virginia is amended by adding in Article 1 of Chapter 10 of Title 58.1 a**
310 **section numbered 58.1-1017.4 as follows:**

311 **§ 58.1-1017.4. Documents to be provided at purchase.**

312 *A. Any person, except as provided in subsection C, who ships, sells, or distributes any quantity of*
313 *cigarettes in excess of 10,000 sticks or 50 cartons, or with a value greater than \$10,000 in any single*
314 *transaction or multiple related transactions, shall (i) obtain a copy of the cigarette exemption certificate*
315 *issued to the purchaser pursuant to § 58.1-623.2 and (ii) maintain such information about the shipment,*
316 *receipt, sale, and distribution of such cigarettes on a form prescribed by the Office of the Attorney*
317 *General. Such form may be in electronic format in a manner prescribed by the Office of the Attorney*
318 *General. Such form shall be transmitted to the Office of the Attorney General upon request, as*
319 *determined by the Office of the Attorney General.*

320 *B. For purposes of complying with subsection A, the seller may maintain an electronic copy of the*
321 *purchaser's cigarette exemption certificate.*

322 *C. The provisions of this section shall not apply to a stamping agent when delivering cigarettes to*
323 *the purchaser's physical place of business.*

324 *D. Prior to completing the sale, the purchaser shall complete the form for the seller and present a*
325 *valid photo identification issued by a state or federal government agency. The purchaser shall sign the*
326 *form acknowledging an understanding of the applicable sales limit and that providing false statements*
327 *or misrepresentations may subject the purchaser to criminal penalties.*

328 *E. Prior to completing the sale, the seller shall verify that the identity of the purchaser listed on the*
329 *form matches the identity on the photo identification provided pursuant to subsection D and that the*
330 *form is completed in its entirety.*

331 *F. The records required to be completed by this section shall be preserved for three years at the*
332 *location where the purchase was made and shall be available for audit and inspection as described in*
333 *§ 58.1-1007. A violation of these requirements shall be punished under the provisions of § 58.1-1007.*

334 *G. The Department, the Department of Alcoholic Beverage Control, the Office of the Attorney*
335 *General, a local cigarette tax administrative or enforcement official, or any other law-enforcement*
336 *agency of the Commonwealth or any federal law-enforcement agency conducting a criminal investigation*
337 *involving the trafficking of cigarettes may access these records required to be completed and preserved*
338 *by this section at any time. Failure to supply the records upon request shall be punished under the*
339 *provisions of § 58.1-1007. Copies of the records required to be completed and preserved by this section*
340 *shall be provided to such officials or agencies upon request. Any court, investigatory grand jury, or*
341 *special grand jury that has been impaneled in accordance with the provisions of Chapter 13 (§ 19.2-191*
342 *et seq.) of Title 19.2 may access such information if relevant to any proceedings therein.*

343 *H. The records required to be completed and preserved by this section shall be exempt from*
344 *disclosure under the Virginia Freedom of Information Act (§ 2.2-3700 et seq.).*

345 **3. That the provisions of §§ 58.1-623, 58.1-1000, and 58.1-1017.3 of the Code of Virginia as**
346 **amended by this act, subsection A of § 58.1-623.2 as created by this act, and the second**
347 **enactment of this act shall become effective on January 1, 2018.**

348 **4. That the Department of Taxation shall complete the process for issuing cigarette exemption**
349 **certificates no later than December 31, 2017. The Department of Taxation shall ensure that any**
350 **taxpayer who qualifies under the expedited process prior to December 1, 2017, or applies for a**
351 **cigarette exemption certificate prior to December 1, 2017, shall be issued or denied the cigarette**
352 **exemption certificate prior to January 1, 2018.**

353 **5. That the provisions of this act may result in a net increase in periods of imprisonment or**
354 **commitment. Pursuant to § 30-19.1:4, the estimated amount of the necessary appropriation cannot**
355 **be determined for periods of imprisonment in state adult correctional facilities; therefore, Chapter**
356 **780 of the Acts of Assembly of 2016 requires the Virginia Criminal Sentencing Commission to**
357 **assign a minimum fiscal impact of \$50,000. Pursuant to § 30-19.1:4, the estimated amount of the**
358 **necessary appropriation is \$0 for periods of commitment to the custody of the Department of**
359 **Juvenile Justice.**